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Executive Summary

The *Vermont Economic Progress Council (VEPC)* was established in 1994 by the Vermont Legislature in an effort to build upon Governor Dean's 1993 Executive Order to form a long-term economic planning group for the state. The Council is charged with creating, maintaining and participating in the implementation of a ten-year economic development plan for Vermont and annually reporting to the Governor and the General Assembly.

In March of 1998, *VEPC* was also given the responsibility of implementing the Economic Advancement Tax Incentives. The Incentives are the most comprehensive set of tax credits and property tax incentives ever passed in Vermont's history. A separate report shall be filed with the Legislature in January 2000 detailing the activity of the incentive program.

As a result of this new legislation, the Council was reconstituted. The nine person Council consists of Governor appointees representing various geographic regions of the state. There are also 24 Regional Representatives that work with the Council when reviewing applications to the incentive program.

The 1996 report, the Council's third, stated goals for employment, wages, and per capita income; reported on the current status of those goals; documented the accomplishments of the Council to date; listed data for 78 indicators that measure the health of our economic, social, cultural, and environmental system; and made 56 recommendations for action to help build a healthier economy.

This 1999 report, is meant to provide the reader with an update on progress made toward implementing the 56 recommendations. Also

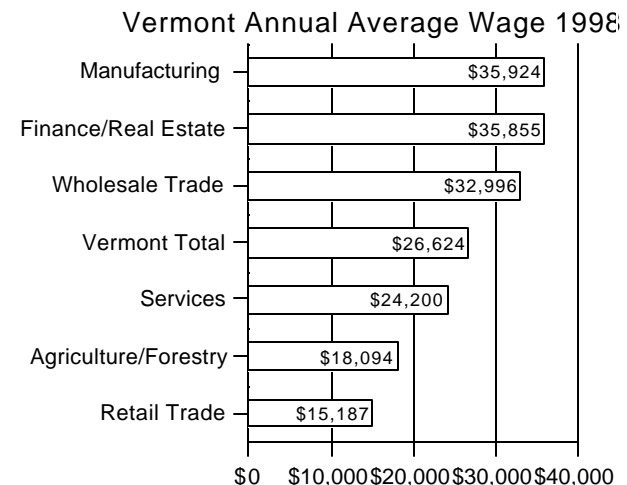
included is an update of the 78 indicators and an economic vision for the state.

Goals for Vermont's Economy and their Current Status

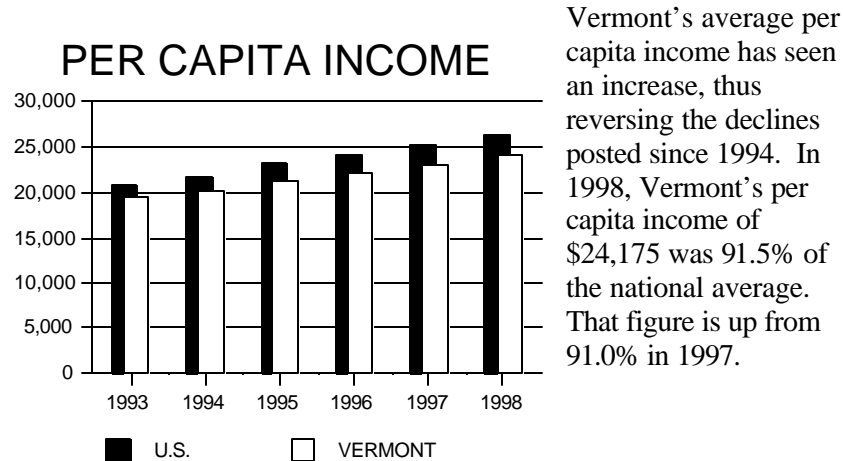
The Council's recommendations are aimed at helping to meet three basic objectives for Vermont:

1. *Full employment, by creating 66,000 jobs between 1994 and 2004, and maintaining an unemployment rate of no more than 4%.* Since 1994, the Vermont economy has seen 18,400 jobs created. Note worthy, are the gains in manufacturing that have been posted in Vermont for the past five years. As a result, the unemployment rate has remained at or below 4.0% since April of 1997, and below 5.0% since March of 1994.

2. *Bring Vermonter's average wages and per capita income up to 100% of the national average.* Vermont's 1998 average wage of \$26,624 was 84.1% of the national average, which is level from 84.1%



in 1997.



3. *Maintaining Vermont's Quality of Life.* Measuring quality of life has always been a difficult task and requires more subjective judgements. Vermont continues to be an exceptional place to live, noted for its traditions, heritage, and sense of community. This third goal is essential to Vermont's future, and one that must be maintained and enhanced.

Vermont's Economy

In 1999, Vermont's economy continued to perform on a path and pace similar to the U.S. economy. Job and income growth continued to be positive overall, although there were signs of slowing.

- Private sector jobs, total job growth outside of the government sector, experienced a growth rate of +1½%, which was a full percentage less than the previous year.

- Despite the slowdown, job growth in the state appears to be well balanced. Total employment growth has exceeded labor force growth, indicating that the Vermont economy continues to experience strong employment growth even though labor market conditions grow tighter.
- Recent data indicates that the Northeastern sector (Northeast Kingdom) of Vermont is now the fastest growing part of the state in terms of the percentage of employed residents added during the past year. Northeast Vermont posted a 3.6% year-over-year growth in employment.
- As reported by the Federal Reserve, manufacturing job opportunities continue to grow in Vermont for the sixth straight year, unlike other New England states that have seen a loss in manufacturing.
- The Finance sector posted strong gains with 12.8% year-over-year growth in the insurance category and 9.7% year-over-year growth in the banking category. Despite this good news there is concern about the possible loss of employment as a result of recently announced mergers in the banking community.
- The State's unemployment level has remained at or below 4.0% since April of 1997 and below 5% since March of 1994.

Economic Vision for Vermont

Developing the ten-year economic plan for Vermont is an ongoing process of decision making and continuous improvement. Critical to that process is a vision for change. A vision can be timeless, as it is a description of a dramatically improved state or community in terms of

its economic opportunity, self sufficiency, and community development.

The Council is pleased to present as part of the ten-year plan, its economic vision for Vermont.

“Vermont is an Economically and Environmentally Healthy Place to Work and Live”

Central to this vision is a sustainable and diverse economy, that provides opportunities for businesses to prosper and its citizens with stable, fulfilling, and justly compensated employment, thus contributing to the overall quality of life, while protecting our natural resources, sense of community and historic values.

Ten-Year Economic Plan

In 2000, the *Vermont Economic Progress Council* will embark on creating the next comprehensive ten-year economic plan for the state. The process for development is one that will begin to breakdown silos. A process that centers the discussion around the creation of quality jobs, the health of our communities, enhancement of our quality of life and protection of the environment.

Throughout this year-long process the Council will engage and utilize the expertise of many individuals and organizations around the state to build consensus around an economic vision. While the Council is pleased to present a vision for Vermont in this report, they recognize that a dialogue must take place prior to adopting such a statement. Once the vision is in place, the Council can then focus on the development of a road map for achieving the vision.

Provided below is an outline of a schedule the Council will follow during 2000. The timeframes are flexible, with the goal of producing a report by December 2000.

January/February

- Council review of the goals and the nine policy areas established in 1994.
- Reaffirmation of the goals and policy areas, and/or the establishment of new ones.
- Establishment of working groups for each policy area.

March-July

- Working groups gather data and information from individuals and organizations associated with each policy area.
- Reaffirmation of the existing recommendations, and/or the development of new ones

July-September

- Council review of the information collected, and recommendations offered by each working group.
- Develop working draft of the ten-year plan

October/November

- Conduct regional public hearings to gather additional input on the draft plan

December

- Print final report for the Governor, Legislature and the public.

Policy Area One
Predictable, Customer-Oriented
Regulatory Systems

Recommendation #1: Review of Statutes and Rules

In August 1999, the *Department of Labor and Industry* completed their update of The Electrical Safety Code. A complete copy of the rules is available from the Department or can be obtained from their website. The Department is in the process of updating the Fire Prevention and Building Code.

L&I has also issued a report on vocational rehabilitation in the Vermont Workers' Compensation system. This document was the result of a year long review of vocational rehabilitation and includes specific recommendations for changes in the system.

As a result of this study, *L&I* created a vocational rehabilitation unit within the *Workers' Compensation Division*. This was accomplished through the reassignment of existing staff, will result in no additional costs, and will not impair the existing provision of Workers' Compensation Services. The creation of this unit was supported by a consensus of participants in the Vocational Rehabilitation discussions.

The report included suggested changes to the vocational rehabilitation rules including:

1. Clarifying the definition of Rehabilitation Services;
2. Updating professional qualifications;
3. Improving the process for selecting vocational rehabilitation providers.

During the summer of 1999, The *Workers' Compensation Division* of *L&I* surveyed injured workers to assess the services they have received through the worker's compensation system. The survey covers all aspects of the system and includes questions about assistance provided by the *Workers' Compensation Division*, health care providers and insurance companies. The data collected will assist the Department in identifying areas where injured workers feel they are adequately served

and those areas that need improvement. The survey also measures how quickly injured workers return to work and if those workers receive their pre-injury wages.

L&I has updated the rules governing the compensation for attorneys representing claimants who prevail in hearings before the Commissioner.

L&I is also in the process of drafting rules establishing a mechanism for direct provider payments in cases involving chronic conditions requiring prescription medication.

Within the *Department of Environmental Conservation (DEC)* ongoing activities include an effort to rewrite *DEC* rules. *DEC* is currently using a new rule making procedure which focuses on early public involvement in the rule making process, making rules easier to read, incorporating pollution prevention into rules, and is designed to resolve internal conflicts between rules early in the process. In fiscal year 1999 *DEC* will be working on the Air Pollution Control Regulations and Water Supply Rule.

In 1999, the *Environmental Board* is proposing to revise their administrative rules.

Current proposed *Environmental Board* Rule revisions include:

- 1) a definition for and creation of "pre-existing" status for "telecommunication facilities";

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- 2) elimination of Appendix A relating to “power and communication lines ” in favor of proposed Rule 2(A)(12) effecting the same purpose;
 - 3) redefinition of “involved land” for “commercial and industrial projects” and for “state, county or municipal” projects;
 - 4) definitions for “interest”, “tract” and “power and communication lines and facilities”;
 - 5) disposing of declaratory ruling petitions in a summary manner;
 - 6) significant revisions to party status and appeal rights;
 - 7) district commissions may dismiss cases in the same manner that the Board now exercises that authority;
 - 8) Board Chair may assign a case extending across a district boundary to one district commission;
 - 9) “presumptions of compliance” created by ANR permits and certain municipal approvals may be rebutted only through “clear and convincing evidence”;
 - 10) more administrative amendments may be issued by district coordinators when authorized by the district commissions;
 - 11) in response to a recent Supreme Court decision, there is a need to create a rule weighing “finality vs flexibility” in the permit amendment process and this has been added; and,
 - 12) clarification of the Board’s authority in processing “petitions for revocation”.

Once complete, The Board will file the proposed rule changes with the Legislative Committee on Administrative Rules.

In addition, the Legislature has formed a Special Act 250 Study Committee which has scheduled a minimum of six full day hearings in 1999 to assess Act 250 and recommend new legislation as the program nears its 30th anniversary. The Committee’s specific charge is “review the act and its functioning in a way that allows a comprehensive perspective into the provisions of the act, its governance, its effects on

the environment, people, and economic development of the state, and its implementation”.

Recommendation #2: Making the Regulatory System More Understandable and Less Time Consuming

The *Department of Labor and Industry* has established a local variance process in the *Fire Prevention Division*. This gives inspectors and regional managers greater flexibility to reach agreement and find creative solutions for building owners. Applicants continue to have the authority to apply to the Commissioner but most cases are now resolved before reaching that level.

L&I has published two new brochures to assist the regulated community in understanding building and construction permits. The first is titled “A Guide to Building, Construction, and Occupancy Permits in Vermont”. The guide provides an overview of the *L&I* permitting process administered by the agency’s *Fire Prevention Division*. Included in the guide is information on building permits, safety codes, electrical work notices, plumbing permits and boiler safety. Sections of the brochure also cover the agency’s process for inspection reports, compliance schedules and the variance process.

The *Fire Prevention Division* of the *Vermont Department of Labor and Industry* works with many different communities to reduce the risk of fire around the state. Country Inns are among the buildings that are regulated by the division. In order to assist the owners of inns and bed & breakfasts, the Department has published a new brochure titled: “Owning and Operating a Bed and Breakfast in Vermont: *What you need to know about fire and building regulations.*” This brochure provides general background on the codes and standards that apply to bed & breakfasts. It also includes information on how the fire prevention division works with building owners, and on where building owners can obtain additional information.

Students in the Historic Preservation Program at the University of Vermont published a report titled “Fire Prevention and Building Code Compliance for Historic Buildings: A Field Guide”. This document, which uses real world examples, summarizes code compliance issues often encountered in renovating historic buildings.

L&I has now placed all the forms needed for filing a workers’ compensation claim on their website. This means that anyone needing a form or filing a claim can immediately obtain the proper documents from the Department’s website. In addition, decisions made by the Commissioner of the Courts on contested claims are available on the website. Anyone interested in workers’ compensation statutes and rules can also find that information on the *L&I* website. Also listed is the complete text of “Workers’ Compensation Insurance – A Guide for Vermont Business Owners”.

The *Vermont Occupational Safety and Health Administration (VOSHA)* gathers data on workplace injuries and illnesses throughout Vermont. In 1999, *VOSHA* sent letters to 100 employers in the state. These employers have higher lost workday injury and illness rates than most other businesses in the country. The letters offer the services of *VOSHA*’s on-site safety and health consultation program. The consultation program is operated separately from *VOSHA*’s compliance program. The service is free, and there are no fines if problems are found and corrected or controlled in a reasonable time frame. In addition, *VOSHA* consultants can assist a business in developing safety and health management plans for the workplace. *VOSHA* has also released a five-year strategic plan and has offered training to labor, business and municipal groups.

In 1997 the *Department of Environmental Conservation* issued 7,450 final permitting actions and met its performance goals for timeliness of review 94% of the time. Since 1995 *DEC* has distributed a customer

survey with most permitting actions....recent statistics show that 96% of respondents felt that staff were helpful and treated them fairly and courteously....over 80% of survey respondents rated their overall permitting experience as above average or better.

DEC’s Permit Assistance Program includes permit assistance specialists located in 5 regional offices and 5 satellite offices. These 4 permit specialists serve as the initial contact for Vermonters and assist them in identifying all necessary permits or approvals for any given project. Statistics from 1997 reflecting the level of customer service the specialists provide, include:

- Assisting more than 2500 individuals and businesses annually in determining permitting requirements
- Making nearly 6000 outreach contacts through letters, phone calls, meetings and seminars, assisting people both in understanding and going through the permitting processes.

DEC has completed a second revision of its Permitting Handbook, which now includes fact sheets for several different types of small businesses. These fact sheets outline all likely regulatory requirements, from local to federal requirements for each type of business.

The Environmental Notice Bulletin (ENB), available on the *Agency of Natural Resources* website (www.anr.state.vt.us) continues to provide an easily accessible weekly update on the status of current permit applications. Also included with this general status is a *DEC* staff contact person who can provide more details on the project. A project management system is set up to coordinate project permit review thereby minimizing conflicts and expediting the process. To date project management has been used successfully on larger more complex projects. Recent projects include Husky and the Town of Milton Treatment plant upgrade.

Broad permit improvement efforts beginning in 1998 and continuing into 1999 focus on improving consistency and coordination between programs to enhance and simplify *DEC* permit customers' experience. Specific initiatives include resolving existing cross-program conflicts and cross-program training of permitting staff.

The *Environmental Board* is continually working on making the Act 250 process more understandable and accessible. They are currently working on a complete revamping of the Act 250 permit application package to make it more readable and user friendly, as well as to update it with current requirements for information.

On February 25, 1998 and May 19, 1999, the *Environmental Board* adopted the Master Permit Policy and Procedure for Partial Findings of Fact and the Master Permit Guidance Document. The objective of the Master Permit Policy and Procedure, pursuant to Board Rule 21, is to provide guidance and greater predictability to the applicant in the review of complex development projects. Pursuant to Board Rule 21, the applicant may seek permission from the district environmental commission or the board on appeal to proceed with review under specific criteria of the Act in order to gain a greater degree of assurance that future development projects may be approved on a proposed development tract. This procedure will allow for greater efficiency in the environmental review process and therefore avoid unnecessary and unreasonable costs to the applicant.

Before the district commission or board can grant a master permit with partial findings of fact for a master plan project, it must be able to make affirmative findings under all of the criteria for those aspects of the project seeking construction approval.

The Master Permit Guidance Document provides more detail on the questions that can be asked during a master plan review and they believe that it will be extremely helpful to applicants, parties, and the

district commissions during the review of large and complex development projects.

Environmental Board decisions are immediately posted on the Board's WEB site along with the E-Note Index, a comprehensive summary of all *Environmental Board* decisions dating back to June 1, 1970.

Recommendation #3: Private Professional Certification of Compliance with Permitting Regulations

The *Department of Labor and Industry* has updated and renegotiated a cooperative agreement with the City of Burlington. These types of agreements allow interested cities to enforce codes and standards on the state's behalf. Burlington will continue conducting its own fire, building, electrical and plumbing inspections. The Department has also signed an agreement with Winooski and will continue to make this option available to interested municipalities.

In 1996 the *Department of Environmental Conservation* agreed to pursue professional certification as a formalized program for use with smaller wastewater management projects provided the legislature gave *DEC* extended program oversight and enforcement capability. This was never realized so a comprehensive plan formalizing professional certification has not occurred. However, due primarily to resource constraints and workload in certain regional *DEC* offices informally there has been a greater reliance on information submitted by consulting engineers.

Recommendation #9: Coordinated State and Local Permitting

The *Environmental Board* continues in its strong belief that local and regional planning efforts are the cornerstone to effective land use planning and control of undesirable aspects of strip development and sprawl.

Prior to issuing a permit, the district commissions or the Board must find that any proposed project is in conformance with any duly adopted local or regional plan or capital program under chapter 117 of title 24" (10 VSA 6086 (10)).

The Board's analysis under Criterion 10 regarding conformance with the Town Plan is conducted in accordance with In re Molgano, 163 Vt. 25 (1994); The Mirkwood Group and Barry Randall (#1R0780-EB); and, Manchester Commons Associates (#8B0500-EB).

It is critical that large, complex development projects be designed in a manner that is consistent with the town plan for the host community. This is not only important to ensure a project's conformance with town and regional plans under Criterion 10, many of the essential issues associated with large development projects are best addressed through a comprehensive local and regional planning process. Matters that should be considered include: the capacity of municipal facilities and services, the management of secondary growth, and the relationship of large developments to the surrounding community and neighboring towns. This requires the cooperative involvement of local governments and public agencies.

The *Department of Housing and Community Affairs* notes that there has been a larger effort to coordinate state agency response in the Act 250 regulatory arena through the re-establishment of the Governor's Development Cabinet. An extended collaborative effort (which included town, regional, state and private sector planners) succeeded in devising *Environmental Board* rules for master plans. In addition, the state agencies began a collaborative approach, providing funding resources, to local and regional planners to facilitate community planning for development attracted to interstate interchanges.

However, the result of the lack of resources provided to planning in

Vermont from 1994-1998 is showing. This is occurring at the same time that an increased interest in the issue of sprawl is fostering widespread debate on the capacity of towns to guide growth. Several legislative study committees have focused much of their time on concern about local planning capacity and problems in local regulatory processes. There is an echoing call from various parties to re-write the enabling statute for local land use regulation.

There is an extremely high number of towns which have allowed their adopted plans to expire at this time. In the Northeast Kingdom, for example, only a third of the towns have adopted plans in effect. Statewide, about 35% have allowed them to lapse. The previous norm would have hovered around 5-10% at most. When a town has no plan in effect they are not eligible for the municipal planning funds and cannot revise their zoning or subdivision regulations.

Policy Area Two

A Competitive and Stable State and Local Tax Policy

Act 60, The Equal Education Opportunity Act, was passed in 1997 dramatically changing how education is funded in Vermont. Creating a statewide school property tax rate and establishing a system that provides for education resources to be equally available to school districts availing themselves of similar spending per student, the plan was designed to be implemented over a four year period. This current school year (1999-2000) represents the third year into the program and accomplishes most of the changes. For a very few towns there is still one small step toward the statewide school rate of \$1.10 per \$100 of fair market value.

Act 60 ties the amount of tax that a resident property taxpayer must pay on his/her homestead (a house and no more than 2 acres) to their income. For most Vermonters the limit holds their statewide school tax to no more than 2% of their income. There can also be a local school tax depending on the spending level within the community but the taxpayer's final cost for this tax is tied to the statewide obligation, making it indirectly income sensitive as well.

School taxes are no longer established based on a community's wealth, but rather on the amount of money spent on the student. School budgets are determined at the local level, as always, but the funding comes from several sources and the school tax rate paid in the community will be similar to that in any other community that spends a like amount.

Local school funding is provided principally;

1. Through a block grant per student to the school district. The block grant is based on the total number of students in the school district and accounts for variations that affect education costs. These

factors include extra weight for higher costs associated with high school students, students with poverty backgrounds, students who speak English as a second language, and the lack of economies of scale in smaller schools. The block grant equates to approximately 68.5% of education funding statewide.

2. Through categorical aid from the state tied to specific costs. The state pays 60% of special education costs, 50% of transportation costs and participates in capital construction and debt service costs.
3. Through a local share tax. If a community cannot pay its education costs with the block grant, categorical aid, and other local revenues not raised by taxes, then it will have to raise a local share tax. Depending on a community's relative property wealth, this local share tax may either cost more in a contribution to the education fund, or result in further contributions to the school district from the state education fund.

Act 60, in order to meet the funding needs of education made several changes to the tax structure and tax rates in Vermont. The machinery and equipment tax was eliminated as of July 1, 1998. Tax increases were committed to the Education fund and included: purchase and use taxes from 5% to 6%, a 4 cent increase in the gas tax, a two point increase (to 9%) in the meals and rooms tax, a telecommunication tax, an increase in the bank franchise tax, and a corporate tax increase. Subsequent legislation has reduced the income tax effective January 1, 2000, and eliminated the sales tax on clothing effective July 1, 2000.

Recommendation # 12: Use Value Appraisal

As part of Act 60, listing property that is enrolled in the Use Value Appraisal Program at the use value was made a permanent part of our tax policy. This, along with a significant penalty for withdrawing from the program, is expected to stabilize enrollment.

With the new construction of how education is funded in Vermont, the affect of current use enrollment is minimal from town to town. The grand list is reduced but the burden of lost school revenues is substantially carried by the state as a whole. There is not a need for replacement funds from the state. In contrast, when the use value appraisal reduces the grand list value it has a direct effect on the municipal revenues of a community. These funds are made up to the communities by virtue of a state appropriation. The elimination of the "hold-harmless" need in school taxes has reduced the total appropriation required and should prove to be, combined with strong reserves, more sustainable.

A change in the calculation of the use value, by incorporating a five year average, makes the tax burden of the landowner more predictable and also serves to stabilize the projections for hold-harmless amounts needed to supplant local revenues.

Recommendation #13: Stabilization Reserve

Vermont has been fortunate to see its fiscal fortunes rise in the past several years. A solid economy, meteoric stock markets, and careful and deliberate management of spending growth have all contributed to Vermont filling all three stabilization reserves to 5%: the General fund, Education fund, and Transportation fund.

The impact of this has broadened to a point where the state is budgeting with the possibility of non-budgeted reserves developing. Specifically it has also meant that the state can petition Wall Street bond rating houses for more favorable rates, and has allowed the state to relieve demand on borrowing by paying cash for a number of capital projects. This of course reduces the demand for debt service budgets in the future.

Recommendation #15: Industry-Specific Tax Incentives

On March 11, 1998, Vermont Governor Howard Dean signed into law Act 71, an Act Relating to Education, Taxation and Education Financing. Contained in Act 71 is a package of economic advancement incentives that are designed to achieve three goals: create quality jobs; close the wage gap between Vermont and the national average; and maintain and enhance Vermont's quality of life.

The *Vermont Economic Progress Council* was given the responsibility of implementing the incentive program, which is broken down into three categories: income tax based credits, which include payroll, research and development, workforce development, export, and small business investment; property tax based incentives, which include stabilization, construction in progress exemption, brownfield exemption, tax increment financing districts and reallocation of education fund revenue; and a sales tax exemption on building materials purchased by a manufacturing entity.

A separate report will be filed with the Governor and the Legislature explaining the activity associated with the economic advancement incentives program.

Recommendation #16: Workers' Compensation Premiums

Workers' Compensation Premiums have remained low. The *Department of Labor and Industry* continues to administer higher than average benefits at lower than average costs.

Recommendation #17: GAAP Reporting

The *Department of Finance and Management* has noted that as of June 30, 1996, Vermont has been reporting its finances in compliance with GAAP. They achieved this objective on schedule. Relative to the General Fixed Assets Account Group, they are on schedule to incorporate this function into the State's new financial management system. In regard to this system, the Department has completed the needs requirement and vendor selection process and are currently in contract negotiations with the vendor, with the expectation of beginning implementation this Fall.

Policy Area Three
***Coordinated and Cost-Effective Economic Assistance
and Community Development Programs***

***Recommendation #18: An Enhanced Decentralized System of
Economic Development Programs***

In January of 1998, the *Department of Economic Development* developed and published a comprehensive strategic plan as an important first step in implementing an integrated approach to economic development for Vermont. The stated mission of the department is “to preserve our heritage, promote vibrant communities and create a sustainable economy that provides all Vermonters with the opportunity for meaningful employment.” Our desired outcomes are to work together with all our economic partners to assure quality jobs, competitive businesses and a healthy and sustainable economy.

Successful economic development states recognize that programs are more effective when meeting local needs. A decentralized approach acknowledges that different regions have unique economic development needs. Given the diversified economic character of the state’s regions, a regional approach to economic development in Vermont appears to be an appropriate strategy.

This principle is critically important to the public credibility of any proposed economic development strategy for Vermont. Because of the distinctly different economic development needs of the state’s varied regions, a regional, needs-specific approach makes good policy sense. Beyond the broad policy concerns lies the state’s longstanding culture of local control. The citizens of the state have a natural and healthy skepticism about centralized approaches to most anything, especially those concerning economic and money matters. A balanced approach, that emphasizes regional issues and, at the same time, integrates

programs, services and strategies statewide, makes the most sense for Vermont.

In order to enhance the department’s service delivery system through a decentralized system, several programmatic changes were implemented along with increased funding during 1998 and 1999:

Funding: The *Regional Development Corporations (RDCs)* successfully educated the legislature on the importance of strengthening regional capacity for economic development last legislative session. The *RDCs* received an increase of overall state funding from \$491,000 in FY99 to over \$800,000 for FY2000.

As a condition for funding, the *RDCs* work with the *Regional Planning Commissions (RPCs)* and newly created *Regional Marketing Organizations (RMOs)* to create a more comprehensive regional plan encompassing a greater emphasis on economic development. This continues an agency of commerce and community development process towards greater efficiency and effectiveness within the regional delivery system.

The continued success of the *Small Business Development Center (SBDC)*, where counselors located in each of the state’s 12 regions provide free information and assistance to start-up ventures and existing small businesses, has been phenomenal. The *SBDC* also offers a broad range of affordable business seminars and workshops throughout the state. Last legislative session the *SBDC* received \$292,000 in state funds, an increase of \$142,000 from the previous year.

Another continued success story is the work of the *Vermont Manufacturing Extension Center (VMEC)*. *VMEC* provides technical assistance, training and other services to Vermont’s small- and mid-size

manufacturers that are designed to increase productivity, modernize processes and improve competitiveness.

Cooperation: Nothing is more important than the continued strengthening of ties between the state and its regional partners. The department holds monthly meetings, inviting the *RDCs*, *SBDC*, *VMEC*, *WTO* as well as a variety of other local, state and federal partners to discuss economic development related issues and projects. This forum enhances the leveraging of expertise and resources to the benefit of all stakeholders.

Outreach: In FY1999, the department began a concentrated effort to increase our pro-active effort to promote economic development efforts. The hallmark of this effort is the continued development and implementation of *Thinkvermont.com*, the department's website. It is intended to serve as an integrated and comprehensive, electronic information source, streamline access to, and broaden public awareness of, economic development services, and strengthen partnerships among the numerous economic development organizations.

Included in the website are the *Business Registry and Government Marketing Assistance Center (GMAC)*. In FY1998, the *Vermont Business Registry* was established to assist in promoting Vermont businesses. This registry is accessible on-line and to date, over 7000 Vermont-based companies are listed on and utilize this important service. In conjunction with the introduction of the Business Registry, the department created this website in FY 1998 through Government Marketing. This site provides Vermont companies with a dynamic and unique opportunity to review and bid on the full range of state and municipal contracts. This increasingly successful program has grown dramatically and has become a valuable resource for participating Vermont businesses.

In 1998, the *Vermont Council on Rural Development (VCRD)* sponsored a Summit on Rural Development. The Summit was attended by 27 leaders representing a wide variety of state, federal, and non-profit organizations, which either provide funding or programs to rural communities in Vermont.

The main goals of the Summit were to bring together a broad mix of resource providers to explore how they can better coordinate their programs, and get the maximum leverage from the total available resources. To address these goals, the leaders have worked together to identify Action Steps, which are designed to coordinate programs and improve resource leverage. Each Action Step is assigned a leader, as the responsible party, and a specific completion date (see attached list of 1998 Summit Action Steps).

- Need for upgrades or improved sewer/septic systems and municipal water systems
- Strengthen downtowns, revive the commercial district
- Increase pedestrian and bicycle access
- Reduce and/or mitigate traffic in the downtowns
- Access to higher wage jobs (livable wage) to reduce need for second jobs
- Need for public meeting spaces (civic, recreation, teenagers)
- Concern that local civic participation is declining
- Desire for better public transportation that is tailored to local needs
- Improve road and bridge maintenance
- Improve access to and quality of affordable housing
- Teen issue – focus on after-school time and 15 – 17 year olds
- Need more jobs that are consistent with the goals of the town
- Protection of Natural Resources
- Conservation of land especially farm land
- Concern over education quality and school financing
- Concern over crime and the ability to respond to emergencies
- Concern over growth and how to “direct” it

Seventeen action steps were identified, and to date 3 have been completed (8 of the 1998 Action Steps have longer deadlines). The *Vermont Council* will be planning to hold their fourth Summit in the fall of 2000.

During the past few years the *Vermont Center for Geographic Information* has made strides not only in developing GIS data layers, but in providing access to these data and in developing tools to use the data. In 1997 *VCGI* developed an Internet site (<http://geo-vt.uvm.edu>) that provides a number of GIS services to the public. The most important feature of the web site is on-line data access and download. Other features include a calendar of events, networking capabilities to other users, and GIS resources.

VCGI has most recently identified web mapping services as a strategic direction for future efforts. Several web mapping applications have been developed and can be viewed at the *VCGI* web site. Currently *VCGI* is developing several applications that address the issues of economic development and land use planning. Continued support for access to GIS databases as public information facilitates cooperative and efficient decision-making by public agencies, and the sharing of vital information with all individuals and businesses interested in development within Vermont.

Recommendation #19: Strengthen Vermont's Downtowns

Vermont's Downtowns have served as the social and economic centers of our communities for generations. Almost one fifth of Vermont's economic activity and jobs are based in downtowns. Intensive public and private capital investment has already been made in existing downtown areas – in buildings, water and sewer systems, sidewalks, and parks – and preservation and full use of these investments is a priority for the state.

To further the goal of downtown revitalization, the *Department of Housing and Community Affairs* created the Vermont Downtown Program in 1995. The program initially focused on training, technical assistance, and to a lesser degree on state investment decisions relating to downtowns. In 1998, the legislature passed the Vermont Downtown Act, which is also staffed by the program. The Act establishes downtowns as a priority for state investment in infrastructure, housing, economic development, CDBG funding, and for regulatory assistance to encourage both the preservation and greater use of our downtown districts. Communities must demonstrate a commitment to their own revitalization before they become eligible for any of these benefits.

The *Department of Housing and Community Affairs* has worked to ensure that downtowns benefit from its various programs. The Downtown Program, housed within the Department's *Division for Historic Preservation*, continues to be a priority to both the Department and the Agency, and downtowns remain a priority for the \$12 million in HUD funds, Historic Preservation Grants, Municipal Planning Grants and other programs managed by the Department.

The *Agency of Commerce and Community Development* proposed new downtown legislation in 1999. The legislation seeks to create a less rigorous level of participation for communities not ready to seek designation, provides additional benefits to those downtowns which receive designation, and makes several technical amendments to the current law. The passage of this bill is important to enhance the existing levels of state support for local revitalization efforts.

Recommendation #20: SBDC Staffing

In 1996 *VEPC* was hearing a good deal of support for the *Small Business Development Center (SBDC)* efforts in helping Vermont small businesses. At the time the *SBDC* had counseled some 1200 clients,

half of whom were start-ups and half of whom were existing businesses. *VEPC* supported a market driven staffing plan for the *SBDC* which projected an expenditure of \$325,000 for additional staffing over a three year period if client load continued to increase. During the next two years the *SBDC* client load and success continued to grow, with over 1500 clients served, and over \$9 million in capital raised in 1998. The growth in *SBDC* was able to leverage additional federal dollars last year to reduce the amount of state funding required to achieve necessary staffing levels. In fact, the *SBDC* has been able to limit the state's additional investment in the program to only one half of the originally planned increase. *VEPC* recommends continued support of the *SBDC* network based on market need and demand for its services.

Recommendation #21: Preserve VEDA's role as an Economic Development Tool

Vermont Economic Development Authority's financing programs have long been a cornerstone of Vermont's economic development strategy. In the 1996 legislative session, the General Assembly amended *VEDA's* enabling legislation to allow *VEDA* to "recapitalize". It also combined *VEDA's* two main commercial lending programs, Subchapter 3 and Subchapter 5 into the Vermont Jobs Fund.

The recapitalization program included three steps, or phases. In Phase I, *VEDA* issued \$16.8 million of bonds secured by approximately \$30 million of its existing Jobs Fund loans. These bonds were issued in October 1997 and the proceeds were deposited into a trust fund. In December 1997, *VEDA* completed Phase II of the program and began issuing commercial paper backed by this trust fund and a \$25 million moral obligation pledge of the State of Vermont. The funds from the issuance of this commercial paper are used for lending.

While this innovative financing structure has allowed *VEDA* access to the capital markets and an adequate supply of loan funds, it has necessitated higher lending rates. In 1998, in order to be able to offer the competitive interest rates to encourage economic development lending, *VEDA* approached the legislature to release a \$4.2 million reserve fund. This reserve had been established for *VEDA* in 1992 and was no longer needed. These funds were to be used to subsidize the interest rate on loans (Phase III). The 1998/1999 legislature appropriated \$2.7 million to *VEDA*, using the \$1.5 million balance of *VEDA's* \$4.2 million request to fund employment training.

VEPC supports the appropriation of the remaining \$1.5 million to *VEDA*. If Vermont is to be competitive in the economic development arena, it is critical that *VEDA* be able to offer attractive financing to businesses who wish to expand or relocate to Vermont. We believe it is important to fund our successful economic development programs when funds are available so that these programs will be available to assist business in more difficult economic times.

Recommendation #22: Implementing AAPs and BMPs

To date, the *Vermont Department of Agriculture, Food and Markets* has received \$2.7 million for the funding of Best Management Practice (BMP) structures. Currently, the program is receiving \$750,000 from the Legislature annually.

State funding may be coupled with federal cost share programs to assist Vermont farmers. When state funding is intended to match federal financial assistance for a BMP project, state money cannot exceed 35% of the total estimated cost with a maximum amount of \$50,000 for a project. Federal money cannot exceed 75% of the project cost and there are cap limits to federal money as well. The total amount of state and federal funding cannot exceed 85% of the actual cost of the project. The farmer must pay at least 15% of the total cost of the project.

State funding of BMP projects with no federal financial assistance shall not exceed 50% of the total estimated cost of the project with a maximum amount of \$50,000. The farmer assumes the remainder of the project cost.

Recommendation #24: Strengthen Connections Between Vermont and the International Community

In 1998, the export community gathered to celebrate the award of two major federal grants to the *Vermont World Trade Office*. Both grants came after several years of effort, and with the continued support of Vermont's congressional delegation in Washington, namely Senators Leahy and Jeffords, and Congressman Sanders. These two new funding opportunities had one more thing in common. They were both directed toward improving the delivery of export services to the Vermont business community by bringing together the service providers responsible for the delivery of those services.

These grants, which together amount to over \$750,000, enabled the Vermont Export Service Providers to come together in the creation of the first-ever partnership for export service delivery. This partnership is today known as the *Vermont International Trade Alliance*. Together with the *State of Vermont Agency of Commerce, the SBDC, Chambers of Commerce, the US Department of Commerce, and the Vermont World Trade Office*, the "Alliance" is providing valuable services to new and existing Vermont exporters, including the following:

Vermont World Trade Day

After several years of discussion and planning, the Vermont World Trade day was a huge success. In September 1999, over 500 individuals attended a day-long conference consisting of various seminars and an International Food Festival. Consideration is being given to making this a yearly event.

Vermont International Trade Alliance Website

A committee of the *Alliance* has been working to design and build a new service-delivery website for the entire Alliance membership. This new, powerful site allows exporters to conduct research, connect with hundreds of other international trade sites, interact with any member of the Alliance, pose questions about exporting, and download databases and files from the website.

Vermont Export Mentor Program

The new Export Mentor program manual is now complete, and the recruitment of business participants has begun. Consultant Stan Kirschner has completed his work on the program manual and is working with the *Alliance* in identifying and recruiting program Mentors and "Mentees". The full program is scheduled to begin in early 2000.

Export Answer "Hotline"

The new toll-free technical assistance number is in place. The new number replaces the old VWTO 800 line, in that it is intended to draw upon the technical expertise of the *Alliance* in answering questions and requests for information from the Vermont export community. The new number, "1-877-VTXPORT" is now operational.

Export Counseling Service

Under a cooperative agreement between the *Small Business Development Center (SBDC)* and the *VWTO*, Vermont exporters and potential exporters have access to free export counseling and advice. In the same way that small businesses in Vermont have received general business counseling from the *SBDC* for years, these same businesses can look for answers to their exporting questions from two counselors that are jointly funded by the *SBDC* and the *VWTO*.

Export Services Management Information System (MIS)

In an effort to better measure both the quality of service delivery from the *Alliance* AND the corresponding effect on the Vermont business community, the *VWTO* has contracted with the *SBDC* to implement and manage the on-going measurement system, based upon an existing system already in place at the *SBDC*. The new MIS system will allow any member of the *Alliance* to produce regular reports that measure the quantitative output of each member organization, but also the qualitative nature of those efforts.

Export Library and Resources

Materials are being collected for one or more export library locations. Hardcopy books and magazines and newsletters, as well as electronic database subscriptions are being collected to be included in a library for business use. In addition, the Vermont Exporters Resource Guide and the Vermont Directory of Exporters are being updated for inclusion in the libraries and on the new website.

Recommendation #26: Industry Based Marketing Efforts

The Wood Industry in Vermont continues it's slow but steady growth as DET now reports over 10,000 Vermonters are employed with approximately 6,000 employed in the value added manufacturing side, and the average wage at \$12.50.

The *Vermont Wood Manufactures Association* has continued to grow from it's modest start of a dozen or so companies to over 120 paid member companies with 1-2 new members signing up monthly. They have quarterly meetings at different plants around the state so owners or employees can see what other companies are doing in Vermont and in some cases have caused them to contact each other to supply product requirements, or pass on requests by customers they either can't fill at this time or don't make the product requested.

Another area of growth has been the use of the *VWMA's* website (which is www.vermontwood.com). This has not only had broad base marketing impact for the Vermont wood products industry, but for some smaller companies the web has more than doubled their sales.

Education has become an issue, not only about the industry, but the need to up grade skill levels of employees due to the newer automated equipment. Education about the character of wood and how the different species of wood will or can perform is becoming important as well . This is very important for new product development as well as balancing the use and value of the forestland as a resource.

Recommendation #28: Vermont Training Program Support

The *Vermont Training Program* promotes industrial expansion and encourages the creation and retention of jobs in manufacturing by providing training for new and existing businesses. Individually designed programs may include on-the-job, classroom, skill upgrade, or other specialized training which are mutually agreed upon between the State and the employer. The two primary goals of the *Vermont Training Program* are: **JOB CREATION AND JOB RETENTION**. In FY 1999, there were 91 companies and 633 employees served, at a cost of \$694,206. Documented demand for FY 2000 is \$1.9 million with an estimated creation of 1,955 jobs at this level of funding.

Policy Area Four ***A World-Class Workforce***

Recommendation #30: Build on The Green Mountain Challenge in Restructuring Vermont's PreK-12 Educational System

The *Vermont Department of Education* has created a cadre of ten exceptional classroom teachers who have been freed up to work in elementary, middle and high school classrooms across the state in Mathematics, English, Language Arts, and Social Studies. In addition, VISMT has 12 highly qualified teacher associates who work in classrooms in Mathematics, Science and Technology.

Every teacher in the state will soon have a license and training to use software for portfolio scoring and standards-based curriculum development as the result of the IBM Reinventing Partnerships. These tools have been developed and piloted by Vermont teachers.

The *Board of Education* has established a system for identifying and providing technical assistance to schools where students perform poorly on the statewide assessments.

The *Department of Education* has drafted a proposal to establish a statewide system of professional development to ensure that educators have the training and technical assistance necessary to implement the standards.

Recommendation #31: Restructure Technical Education

Act 138, *An Act Relating to Vermont's Technical Education System*, was passed by the 1998 Vermont Legislature and signed into law by the Governor. The Act restructured funding for technical education and

provided funding for three pilot sites to explore new directions for technical education governance, organization and programming. Section 18 of the Act identifies the criteria for the selection of these pilots:

- Restructure governance to create greater regional involvement and coordination of schools, businesses, and other stakeholders.
- Improve the organization of technical education counseling, communication and programming to promote greater awareness of and access to technical education and greater utilization of facilities, and
- Develop career academies and technical education programming that provides students with high levels of academic and technical knowledge and skills.

The Act provided \$150,000 each year for three years for three pilot projects. All of the technical centers were invited to apply. After the proposals were received and reviewed, three sites were chosen:

- Lake Champlain Regional Workforce Investment Board [includes the Burlington and Essex Technical Centers]
- Randolph Area Vocational Center
- The Technical Center at Springfield

Each pilot is taking a different approach to reform and should provide a variety of options in governance, organization, and programming for technical education.

Pilot centers will continue to develop and report on yearly objectives that lead to full implementation of their proposals. They are working with the *Department of Education* to create an infrastructure for communication and coordination around shared problems and progress:

-
- The development, implementation, evaluation, and refinement of new and improved approaches to technical and academic programming.
 - The coordination of secondary education programming and services in the region to align curricula, improve access and significantly improve student performance, and
 - The creation of new legal and operational structures for school governance and administration.

The *Department of Education* and its partners on the *Human Resource Investment Council (HRIC)* will continue to support the pilots as they envision, implement, and evaluate new approaches to technical education governance, organization and programming. The state level support includes:

- Creating and working with industry groups to articulate the academic, workplace and occupational skills underlying career academy curricula and their articulation to postsecondary education and employment
- Identifying successful national modules and best practices
- Assisting in the creation of appropriate legal structures for governance of regional technical centers
- Supporting regional groups working toward workforce development systems in their efforts to coordinate and expand education and training opportunities.

Recommendation #33: Determine Future Workforce Needs

The *Human Resources Investment Council* continues to support the 12 *Regional Workforce Investment Boards*, covering the entire state. *WIBs* have become increasingly effective at identifying regional labor shortages, and linking workforce development and economic development strategies. *WIBs* have designed and implemented a number of specific training initiatives in response to business requests,

and are gathering labor market information through employer surveys, focus groups, and interviews.

WIBs continue to be provided with assistance from the *HRIC* to develop long range regional workforce development plans. A complete prototype of a regional workforce plan was published by Connecticut River Valley *WIB* in the fall of 1998. This plan identifies strategic business sectors, determines the extent to which workforce education and training is important to the future growth of these sectors, and makes recommendations for changes in education and training services to respond to the opportunities identified.

Regional workforce planning is a key goal of the *Human Resources Investment Council*. These planning activities define clear linkages between public and private education and training resources and regional economic development priorities. Specific initiatives based on collaboration between employers, schools, colleges, and one-stop career centers are emerging as a result of these planning initiatives. These local partnerships are critical to the success of the state's workforce development efforts.

Recommendation #34: Education Funding and Budgeting

The *State Board of Education* is continuing to work toward its mission to lead and support change in a continuously improving education system. Accordingly, the Board has begun re-engineering the department's work and re-focusing its resources to achieve greater accountability throughout Vermont's education system. One of their major goals is to direct as much funding as possible to local capacity building and improved public reporting.

Additionally, the Department's Financial Management Team continues to work with the educational field developing tools for the effective use of Vermont's Equal Educational Opportunity Act funding provisions.

As the phase in of these provisions nears completion, and equality of financial resources across school districts is becoming apparent, districts are able to place greater emphasis on examining the types, quality, and effectiveness of school programs.

Recommendation #36: HRIC Accountability Indicators

During 1996, the *HRIC* finalized a set of 30 Performance Indicators designed to measure the state's success in the development of a workforce education and training system. In addition, data is being aggregated for each Workforce Investment Board Region to provide the information necessary for regional workforce planning and decision-making processes. The Federal Workforce Investment Act of 1998 places increased importance on system wide performance, by making incentive grants available to states that meet or exceed their performance indicators.

During 1999 and 2000 the *HRIC* will coordinate the integration of its indicators with those required under the Workforce Investment Act to avoid redundancies in data collection and reporting. In addition, the *HRIC* will be expanding its use of the Baldrige Quality assessment across workforce education and training system as part of its Continuous Improvement strategy.

Other HRIC Accomplishments:

In 1999, the *Human Resources Investment Council* oversaw the development of the nation's first unified multi-agency plan under the Workforce Investment Act (WIA). The Council is now authorized by the Governor as the State's oversight board for the WIA. This legislation empowers the *HRIC* to coordinate the development of an integrated network of services for up to fifteen federally funded workforce education programs in addition to its mandate for the coordination of state and locally funded workforce programs. In order

to carry out this new responsibility the Council restructured its membership to include a business majority and a business Chair. These actions represent a major step forward in the state's capacity to define and implement long range workforce development policies.

Recommendation #37: VHEC Economic Partnership

Discussions regarding a possible economic partnership between the *Agency of Commerce & Community Development (ACCD)* and the *Vermont Higher Education Council (VHEC)* began several years ago. *ACCD* approached *VHEC* to explore the possibility of Vermont's colleges and universities providing grant-writing expertise to respond to potential funding sources to support Vermont's economic goals.

After several strategy meetings, it was agreed that in order to make the best use of valuable and limited resources it would be necessary for *ACCD* to identify an existing entity (within *ACCD* or other state agency) to function as the clearinghouse for grant opportunities, to notify Vermont colleges of these opportunities, and to coordinate participation. At this time no such entity has been identified.

Policy Area Five

An Exceptional Telecommunications Network

Recommendation #38: Broad-Based Telecommunications Planning.

In 1994, Governor Howard Dean created the *Telecommunications Technology Council of Vermont (TTCV)* to advise him on telecommunications issues. Since the *TTCV* issued 10 recommendations to the Governor in the Fall of 1995 they have been inactive. At present there is no designated *broad-based* group meeting to consider how telecommunications policy can stimulate movement of technology into the marketplace.

Recommendation #39: Follow-up on the 1996 Vermont Telecommunications Plan Recommendations

Most of the recommendations presented in the 1996 Telecommunications Plan have been addressed by the *Department of Public Service*, the *Public Service Board* or other constituencies, and many of them have been successfully implemented. The Plan's vision of electronic community has been advanced by the federal "E-rate" discount program for schools and libraries, enabling Internet connectivity and educational opportunities. Furthermore, the Plan's proposal to promote community computing centers as an economic development strategy has been advanced through the *Department of Employment and Training's* walk-in facilities around the state where the public has free access to computers and the Internet to create resumes and search and apply for jobs online.

Recommended by the Plan to help Vermont businesses and individuals take advantage of advanced telecommunications capabilities, the *Vermont Telecommunications Application Center* has been operating as

a non-profit since January 1998. Although the state has not yet passed a digital signature law, this issue remains on the Legislative agenda for the coming year. Public safety has been improved as a result of a Board order that all phones in Vermont must be able to call 9-1-1 and receive call-backs from 9-1-1 operators when necessary. The Department also sought to make 9-1-1 service available through phones whose local basic service has otherwise been disconnected (called Continuous Emergency Access or CEA), and the Board has so ordered; further issues including CEA for payphones will be addressed in ongoing workshops.

Consumer access to telecommunications has also been improved by several related Board orders: prohibiting disconnection of basic service for non-payment of long distance and any other non-basic services; a 40% discount to TTY/TDD users assuring comparable service value; and implementation of Intralata presubscription to promote in-state toll competition. Controversy over the construction of towers for wireless telephony and broadcasting has been addressed by standardizing practices across the state and creating clear zoning parameters under the auspices of the Agency of Natural Resources. Many other competition issues, such as inter-connection and pricing issues, have been addressed in the ongoing board proceedings.

Policy Area Six

A Fair, Predictable, and Competitive Energy Policy

Recommendation #42: Restructuring of the Electric Utility Industry

Restructuring was considered during the 1997-98 legislative biennium, and the Senate passed S.62, which would have permitted consumer choice in the purchase of electricity, authorized effective competition among electricity suppliers, and preserved and enhanced consumer protections and public benefits in the provision of electric services. In the House, bills representing several different directions for restructuring were introduced and, after considerable study, the House convened a 1997 summer study of the issue. In December 1998, a five-member Working Group on Vermont's Electricity Future appointed by the Governor, submitted its recommendations for restructuring the electric utility industry in Vermont.
(see <http://www.state.vt.us/psd/vef.htm>)

Also, in the fall of 1998, the *Public Service Board* opened an investigation (Docket 6140) into methods for reducing power costs. Several Vermont utilities filed proposals in that docket reflecting alternative approaches for implementing the Working Group's recommendations. In the 1999 legislative session, a number of bills were considered in each house, again proposing very different approaches to both above-market costs and retail competition, but none were enacted. The resulting situation is very complex. Several major utility rate cases are pending that address the costs of above-market power supplies. Disposition of power supply costs, notably Hydro-Quebec, is a pivotal issue. Efforts by Vermont electric utilities, the *Public Service Board* and the *Department of Public Service* continue to seek alternative ways to reduce above-market costs and implement retail choice. Vermont is now surrounded by states that have passed

restructuring legislation and that have or are in the process of implementing retail choice. Vermont should move toward equitable resolution of the outstanding issues impeding the implementation of retail choice in Vermont in order that Vermont maintain a regional economically competitive environment.

Recommendation #43: Energy Efficiency Programs

In May of 1997, the *DPS* proposed seven core statewide energy efficiency programs to be delivered by a single Energy Efficiency Utility ("EEU") operating under contract with the *Public Service Board*. The Board opened an investigation into this proposal (Docket 5980). In April 1999, after nearly two years of litigation, the Department, Central Vermont Public Service and Green Mountain Power filed with the Board an agreement to create an EEU. Since then *all* of Vermont's 22 electric utilities (and a number of other parties in the docket) have signed on to the MOU. In the spring of 1999, the legislature endorsed a new approach to delivering energy efficiency programs advocated by this administration. It passed, and the Governor signed into law, S.137, a bill which authorizes the Board to select and appoint an entity to deliver energy efficiency programs for more than one utility. In addition, the bill authorizes the Board to levy a charge on customer bills to finance energy efficiency programs

The core programs to be implemented by an EEU are projected to provide net benefits to Vermont ratepayers and the Vermont economy of more than \$60 million over the next five years. This innovative approach to delivering energy efficiency programs in Vermont will also mean that these programs are now available in a consistent manner to all utility customers statewide, that vendors including retailers, wholesalers, builders, the design community, plumbers and electricians have only one set of programs to understand. It also means that the EEU can focus on transforming markets — that is helping the efficient technology or design become the norm in the market.

Recommendation #44: Renewable Energy Technologies

The Department has developed a solid record in obtaining and administering grants that have helped make Vermont a leader in some areas of renewable energy development. Grant funds go directly to stimulate renewable energy projects consistent with Vermont policy. The *DPS* has also built strong working relationships with other state agencies, with entrepreneurs and project developers, with equipment manufacturers and interested businesses.

In the past year, the *DPS* has secured grant funding for renewable energy development in four areas:

1. The *DPS* has secured a *Department of Energy* (“*DOE*”) grant to fund development of industrial biomass cogeneration projects, and the *DPS*, *Forests Parks and Recreation* (“*FPR*”) and the *Department of Economic Development* (“*DED*”) have been working intensively with several Vermont businesses to develop specific proposals.

2. The *DPS* also secured a major *DOE* grant to promote development of biomass cogeneration at Vermont ski areas. This grant has allowed the *DPS*, *FPR*, and *DED* to continue working with Smugglers’ Notch ski area on a project that could be up to 2 MegaWatts in size. As with all of the wood-fired cogeneration opportunities, the business stands to save a significant amount on energy costs, thereby improving their competitiveness.

3. Senator Jeffords helped the *DPS* and the *Vermont Department of Agriculture* get a \$300,000 grant to develop strategies to increase methane recovery and use from the anaerobic digestion of cow manure on Vermont farms.

4. Vermont became a partner in the Department of Energy’s “Million Solar Roofs” program, and was awarded a grant to help promote solar installations in Vermont. This program will build on the efforts of the Vermont legislature, which provided incentives for such installations through the 1998 passage by the state legislature of a “net metering” law, and a sales tax exemption for certain solar installations.

Policy Area Seven
***A State Transportation System that Supports
Economic Development***

***Recommendation #45: Implement the Vermont Long Range
Transportation Plan***

In 1995, the *Vermont Agency of Transportation (VTrans)* produced and Governor Dean signed a statewide Long Range Transportation Plan (LRTP). This plan is on a five-year cycle, and an effort to update it is getting underway.

The 1995 plan represented a change of direction for transportation in Vermont, moving away from the traditional emphasis on roads and bridges, and toward an integrated approach to all modes of transportation. It suggested that the future transportation system should reflect Vermont's scale, integrate planning at the state and local levels, support downtowns, and discourage strip development. The LRTP stated that the system should enhance and promote alternatives to automobiles by encouraging the use of various modes of transportation through a connected and coordinated system.

In the past several years, several of the key recommendations of the plan have been implemented. New roadway design standards are in place, and have been formally adopted via the rulemaking process. These standards specifically address questions of appropriate scale in developing transportation solutions. The transportation advisory committees of the regional planning commissions have been very active in identifying and prioritizing transportation issues. VTrans has been supportive of downtown legislation, and has expanded public transit and passenger rail activity. New ideas such as enhancements and bicycle and pedestrian facilities have become part of every day operations.

The passage of TEA 21 in 1998 has strengthened the direction and initiatives started in 1991 with ISTEA. Continuing emphasis is being placed on making better connections among different modes, on better understanding of freight transportation, and on deployment of intelligent transportation systems.

***Recommendation #46: Improve the Capacity of Vermont's
Most Used Roads and Bridges***

The *Agency of Transportation* performs ongoing analysis of the levels of service for all major highways in Vermont, including those roads listed in *VEPC's* 1996 report (Routes 2, 4, 7, 9, 78 and 103) and the interstate highways.

Route 7 has realized the majority of this year's capacity improved passing lanes added in Dorset, Mt. Tabor, and Danby. Traffic signals have been installed in Rutland to smooth the flow of traffic. Shoulders have been added to locations in Brandon. Additionally, there has been an emphasis on paving the above mentioned routes.

Recommendation #47: Enhanced Air Service

In 1999, the *Vermont Agency of Transportation* has placed a renewed emphasis on aviation planning and airport improvements at a level that has not been seen in several years. By the end of 1999, nine of the ten state owned airports will have updated master plans and airport layout plans completed. These plans provide direction as *AOT* looks to maintaining and enhancing the passenger, air cargo, corporate and general aviation activity that the Vermont airport system provides to the State. In addition, *AOT* is wrapping up the year-long study of the Vermont Airport Capital Facility Program – a study which resulted in a project ranking and prioritization model which will be used as an objective and comprehensive tool for budgeting and allocating funding

to the Vermont Airports. This study included an extensive public outreach program, with over 150 citizens and airport users attending the meetings, which were held at all 12 publicly-owned, public use airport locations. This plan was undertaken by AOT with assistance from members of the State Aviation Council.

Several other items of interest related to the enhancement of air service are:

- The installation of a very-high frequency omni-directional range (VOR) navigational aide at the Rutland State Airport. This temporary VOR will allow for increased usage of the airport during periods of inclement or marginal weather, which will improve the reliability of the air passenger service currently provided by Colgan Air. A permanent VOR is anticipated to be installed next year.
- Infrastructure improvements include runway overlay upgrades (rehabilitation) scheduled for Middlebury and Springfield Airports next spring and a major runway reconstruction for Newport Airport next summer.
- Colgan Air's new affiliation with US Airways. By joining the US Airways network, Colgan can now provide direct service, non-stop service to Boston, with connections to 40 other cities from Logan Airport.
- The announcement by air carrier JetBlue of planned service to the Burlington International Airport. Startup carrier JetBlue will be providing low cost passenger service from BIA to New York's JFK International Airport, starting sometime in 2000. This carrier will provide a much needed alternative to the expensive passenger service that is currently at BIA. The current high ticket charges forces many potential passengers to drive to the Albany (NY) International Airport and the Manchester (NH) Airports.

- Entered into a partnership with *Vermont Tourism and Marketing* to develop marketing strategies promoting commercial, corporate and general aviation within the state. A Vermont exhibit was on display at Oshkosh, Wisconsin where approximately 750,000 aviation enthusiasts attended. Through a joint effort, AOT and Tourism and Marketing will develop a web page for aviation services offered in Vermont.

Recommendation #48: Improve Regional and Cross-Border Travel

VTrans is an active member of the Eastern Border Transportation Coalition (EBTC), which includes the Canadian provinces and US states from Michigan eastward. This group is actively working to facilitate trade between the two countries. Recent efforts have included active lobbying to correct problems with Section 110 of the 1996 immigration act, which threatens to greatly restrict routine cross-border travel. Another key focus is enhanced east-west travel for goods and people along the US Route 2 corridor. In cooperation with Maine DOT and NH DOT, *VTrans* has successfully pursued funding under the TEA 21 corridors and borders competitive grant program.

In cooperation with NYDOT, *VTrans* continues efforts to resolve immigration and customs issues related to passenger rail connections with Montreal.

Most recently, renewed efforts have begun under the leadership of the Council of Northeast Governors to revive region-wide cooperation on passenger and freight rail as originally recommended by the NETI study.

Recommendation #49: Strengthen Vermont's Rail Freight Capabilities

The goal of the Rail Program is to preserve, strengthen and expand the state's rail service and network.

As the result of this commitment, track structure between Rutland and Bellows Falls has improved significantly. This allows Vermont Rail Systems the ability to provide a more competitive price structure for freight movement. As the result, freight traffic has greatly increased on the Clarendon and Pittsford Railroad, Green Mountain Railroad and Vermont Railway. The State is currently involved in an aggressive track and signal rehabilitation program between Hoosick, New York and Burlington, Vermont. The infusion of state and federal monies will initially upgrade this line for rail passenger service between Albany, New York and Manchester, Vermont. Additionally, work continues to upgrade the track and signals and to construct stations for commuter services that are scheduled to operate next year between Charlotte and Burlington, Vermont.

Vtrans also continues to upgrade rail-highway crossings, inspect rail bridges for structural defects and as required rehabilitate these structures to correct deficiencies and to provide for increased rail car loading.

Vermont Rail Systems has also entered into a long term agreement to operate the Washington County Railroad which will insure continued rail service well into the next millennium to the Bombardier facilities and to other shippers along the line.

Discussions continue regarding the purchase of the Boston and Maine line between White River Junction and Wells River, Vermont. Also discussed is the future use of the Lamoille Valley Railroad between St. Johnsbury and Swanton, Vermont.

Policy Area Eight
Science and Technology Initiatives that
Stimulate Economic Growth

Recommendation #50: Ongoing Planning for Science and Technology

In August of 1999, Dr. Paul D. Hale was hired as the Executive Director of the *Vermont Technology Council*. Dr. Hale will be responsible for implementing the strategic plans of the Council, which involve the following activities:

Creating and fostering linkages between academic research facilities and the business sector in Vermont.

Securing private and public support for the establishment and enlargement of scientific and technological research and development centers (the "*Centers of Excellence*").

Providing policy guidance to the *Vermont Experimental Program to Stimulate Competitive Research (EPSCoR)* and the *Vermont Manufacturing Extension Service (VMEC)*.

Generating new plans for the development, capitalization, and successful implementation of scientific and technological innovations within Vermont.

Recommendation #51: Development of the Centers of Excellence

The *Vermont Technology Council's* mission of fostering linkages between the academic research community and the business sector is carried out through the following *Centers of Excellence*:

1. The Vermont Center for Advanced Materials Studies
2. The Vermont Center for Food Science
3. The Partnership of Environmental Technology and Science
4. The Vermont Medical Technology Alliance
5. The Vermont Center for Information Technology

Vermont Center for Advanced Materials Studies

The Vermont Center for Advanced Materials Studies promotes materials science and engineering research and supports technology transfer by licensing inventions, assisting technical liaisons, and developing new business ventures. A recent focus has been in the field of polymer science, and a *Polymer Science Symposium* held at the University of Vermont in 1999 attracted 17 Vermont businesses and researchers from 5 departments at the University of Vermont and Vermont Technical College.

Vermont Center for Food Science

The Center for Food Science provides research and development expertise, technical assistance, and basic education about food processing and safety in support of the Vermont food processing industry. The office of the Executive Director of the *Vermont Technology Council* is now located at this Center, in Carrigan Hall on the campus of the University of Vermont.

Partnership of Environmental Technology and Science

The Partnership of Environmental Technology and Science assists in the development of environmental technologies and services in Vermont by nurturing selected entrepreneurial opportunities, encouraging technical liaisons with businesses, and promoting a model EcoPark.

Vermont Medical Technology Alliance

The Vermont Medical Technology alliance is a not-for-profit development corporation supporting the research and commercial application of new medical technologies. The Alliance's mission is to bridge the gap between scientific or clinical research and product commercialization.

Vermont Center for Information Technology

The Vermont Center for Information Technology is a new initiative sponsored by the Vermont Technology Council. The Center, which will be located in a newly renovated office building on the campus of Champlain College, will provide an infrastructure for information technology consulting and workforce training, areas of crucial importance to the Vermont business community. Several information technology professionals have been hired in 1999, and an advisory board will be named in the near future.

Recommendation #52: Science & Technology Infrastructure Initiatives

The *Vermont Manufacturing Extension Center* began operations in January 1996. VMEC is a not-for-profit center whose mission is "*To Improve Manufacturing in Vermont.*" The Center assists Vermont's approximately 2,200 small and medium size manufacturers in solving

problems, increasing productivity, modernizing processes, and improving their competitiveness. A range of training opportunities for manufacturers are also offered regularly. The Center operates as a partnership between federal and state government, education, and private industry. VMEC is affiliated with the nationwide Manufacturing Extension Partnership (MEP) under the National Institute of Standards and Technology (NIST). VMEC has a local advisory Board comprised of Vermont manufacturers and other leaders with strong interests in promoting and improving manufacturing.

Summary of Assistance Provided from January 1996 through June 1999:

- VMEC has assisted more than 564 of Vermont's 2,200 manufacturers
- VMEC has completed more than 1,050 activities with Vermont manufacturers as follows:

➤ 61.3% Technical Assistance	9.7% Training & Education
➤ 22.0% Assessments	7.0% Events

Client Satisfaction: Based on a scale of 1 - 5 (with 4.0 being Satisfied), for the period January 1996 through June 1999, VMEC clients have reported an average Customer Satisfaction of 4.71.

Other VMEC Accomplishments:

- In 1998 VMEC played a key leadership role in the formation of the new *Vermont Environmental Assistance Partnership (VEAP)*. VEAP's mission is "To provide cost effective and sustainable environmental assistance to Vermont businesses, with emphasis on long term pollution prevention methods and processes wherever feasible."

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- In 1998 *VMEC* played a key leadership role in the formation of the *Vermont Food Safety Network (VFSN)* which was created “To Promote Food Safety in Vermont”.
 - One very important outcome of the monthly Burlington-area *Manufacturers' Forum* meetings sponsored by *VMEC* and the *Greater Burlington Industrial Development Corporation (GBIC)* has been the "Learn To Earn" initiative. This pilot effort is targeted towards 10th graders and their parents in Chittenden & Franklin counties to raise awareness about career opportunities in manufacturing and encourage better academic preparation, particularly in science and math.
 - During 1998-1999, *VMEC* was asked to coordinate two critically needed machinist training programs. One program was based in Franklin and Chittenden counties, and the other is in Springfield.
 - *VMEC* was an early leader in statewide efforts to raise business awareness about the Year 2000 (Y2K) data problem, and the Center began delivering on-site Y2K assistance to Vermont manufacturers in 1998.